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I. PURPOSE

The purpose of this policy is to set forth the guidelines for the compliance and reporting control of the College’s tax exempt bonds (TEB).

II. POLICY

Middlebury College makes beneficial use of capital funding in pursuing its program missions. The college is able to accomplish this through tax exempt bond issues. Legal responsibilities require that the college accurately record and account for tax exempt bonds on a regular basis. The ongoing reporting obligations of a non-profit borrower are dictated by the federal securities rules (Rule 15c2-12 under the Securities Exchange Act of 1934 in particular) and by contract with the issuer or trustee.

The College covenants agrees that it will use diligence so that it will not perform any acts nor enter into any agreements or omit to perform any act or fulfill any requirement that shall have the effect of prejudicing the College's tax exempt status under Section 501(c)(3) of the Internal Revenue Code (IRC).

Definitions of tax-exempt bond terminologies discussed in this policy are provided in appendix A. Frequently asked questions (FAQ) are provided in appendix B.

Finally, a number of issues, such as how to handle arbitrage restrictions; how to process reimbursements from the construction funds; and the reconciliation of reports are discussed in the Special Situation section of the policy.

III. AUTHORITY

The Associate Vice President for Finance and Controller (VPFC) is the authority for the physical and reporting control of the College’s Tax Exempt Bonds. Significant legal and financial exposure exists if the College’s tax exempt bonds are misused and/or misappropriated. Federal regulations require that a functioning tax exempt bond system be maintained in order to protect the College’s assets from misuse and misappropriation. Accordingly, annual financial reporting and rebate reporting each fifth Bond Year of all the college’s tax exempt bonds is required.

An “Event of Default shall exist if the College or Agency fails to perform, observe or comply with any covenant, condition or agreement contained in the Bonds or in the Bond Indenture and such failure continues for a period of 30 days after the date on which written notice of such failure, provided however, that if such performance or compliance requires work to be done or actions to be taken which by their nature cannot reasonably be remedied within such 30 day period.
No event of default shall be deemed to have occurred so long as the College or Agency can show diligent and continuous working to resolve the issue.

The Bond Counsel is the attorneys who represent the bondholders to ensure everything with the issuance of the bond is in good order.

IV. PROCEDURES

Reporting Obligations

Reporting obligations are an ongoing process which is dictated by the federal securities rules (Rule 15c2-12 under the Securities Exchange Act of 1934 in particular) and by contract with the issuer or trustee. Appendix C provides a checklist or tickler system to assist with monitoring the requirements of each Bond issue. Below discusses the general requirements for tax-exempt Bonds. Use the checklist mentioned above to guide you in the individual requirements for each Bond issue.

a. Financial reporting

The financial reporting is contained in the loan agreements (stating the contractual obligations with the issuer/trustee) and the continuing disclosure agreement (as required by Rule 15c2-12).

b. Reporting on operations

The obligation to report on operations is contained in the continuing disclosure agreement and the loan agreement. These may include the obligation to provide updated information on applications, matriculants, total enrollment, SAT data, and tuition and fees.

c. Material event reporting

In addition to the periodic reports on finances and operations, Rule 15c2-12 also requires reporting of material events. Material event reporting is contained in the continuing disclosure agreements. These mandates prompt reporting of any of the following events, if material to the bonds:

- Principal and interest payment delinquencies
- Non-payment related defaults
- Unscheduled draws on debt services or credit enhancements reflecting financial difficulties
- An event affecting the tax-exempt status of the security
- Modifications to rights of security holders;
- Bond calls
- Defeasances;
Release, substitution, or sale of property securing repayment of the securities; and,
Rating changes

d. Filing reports

The Securities and Exchange Commission (SEC) and host state designate that annual reports must be filed with certain nationally recognized municipal securities information repositories (NRM-SIRs) and state information depository (SID). The material events notices mentioned above are filed either with municipal securities rulemaking boards (MSRB) or the NRM-SIR’s and any SID. The documents can be filed by the borrower or for the borrower to provide documents to a dissemination agent (often the trustee) who will in turn make the filings for the borrower.

An interpretative letter authorizing the use of the DisclosureUSA website was approved on Sept 7, 2004 by SEC. Refer to appendix D for a copy of the letter. This website is controlled by the designated agent, Municipal Advisory council of Texas (Texas MAC). They will perform the functions and undertake the responsibilities defined in Rule 15c2-12 of the Securities Exchange Act of 1934.

This report can be filed electronically via the Central Post Office website [www.disclosureUSA.org](http://www.disclosureUSA.org). When filing electronically through the DisclosureUSA website, you can set up a tickler system which will ensure your reporting obligations are completed in a timely manner. However, if you are unable to submit your filing electronically you may follow the instructions on the website and submit paper filings through the Central Post Office. The paper filings you submit will be converted to electronic format, indexed and forwarded to the NRMSIR. Appendix E is a cover sheet example when mailing your filings with the repositories.

e. Financial and Other Covenants

Many colleges and other non-profits are required to agree to certain financial covenants. These are contained in the loan agreements and separate agreements with credit enhancers. These covenants very based on factors such as credit strength and type of borrower. Currently, Middlebury College is not subject to any financial covenants because of our strong credit rating.

The Agency agrees that so long as any of the Bonds remain outstanding, money on deposit in any fund or account maintained in connection with the Bonds, whether or not such money was derived from the proceeds of the sale of the Bonds or from any other source, will not be used in a manner that
would cause the Bonds to be “Arbitrage Bonds” within the meaning of Section 148(a) of the Code.

The College agrees to a special covenant that allows the Agency and the Bond Trustee to be permitted, at all reasonable times, to examine the books and records of the college with respect to the Project and the obligations of the college.

f. Bond Tax Covenants

There are certain covenants that must be maintained to preserve the federal tax-exempt status of the interest on the bonds. Below are four key categories that must be assessed to ensure we keep within the federal tax law rules.

(1) Private use limitations

Under federal tax law, facilities that are acquired, improved or enhanced with the proceeds of tax-exempt bonds on the basis of ownership and use by a non-profit entity must comply with rules that are designed to limit the amount of private benefit derived from such facilities. The private business use issue often arises in connection with dormitories, dining halls, student centers, stadiums, theaters, bookstores, gift shops and athletic facilities. This law is referred as the “private activity” rule.

To determine whether Middlebury College complies with this rule, there is a two-pronged test completed. The first prong limits the percentage of the bond financed facility that can be used by private parties in their trade or business to 5% of the bond proceeds net of reserves. The percentage here refers to funds used to create or build an area for private use in the bond financed facility. The second prong limits the amount of revenues that can be generated by the private use. No more than 5% of the principal or interest on the bonds can be derived directly or indirectly by revenues generated by a privately used facility. Both prongs must be violated in order to infringe on the private activity rules.

(2) Investment restrictions of Funds

These are funds are set aside over the years so that there is sufficient money on hand to make the payment at maturity (bullet payment). In such circumstances, the funds set aside may need to be yield restricted which means, the funds must be invested at a rate no higher than the yield on the bonds.
(3) Investment of funds

There are a number of tax rules applicable to the investment of bond proceeds (construction funds). All investments must be purchased and sold at fair market value. There are safe harbors for investments in certificates of deposit, and guaranteed investment contracts. However the funds are invested, no investment obligations in any fund or account may mature beyond the latest maturity date of any bonds outstanding at the time such investment obligations are deposited. The College will give the Trustee the responsible for the proper investment of the construction funds.

(4) Rebate

In the loan agreement the borrower agrees to make any necessary rebate payments to the IRS equal to the “positive arbitrage” made on certain bond-related funds. This payment is any earnings in excess of the bond yield as determined under IRS rules. In general, these payments are due every five years, but there is also a payment due within 60 days of the final payment of the bonds. An independent third party will complete the arbitrage calculation.

(5) Voluntary Compliance Agreement Program (TEB VCAP)

To promote voluntary compliance with the provisions of the Internal Revenue Code relating to tax-exempt bonds, TEB has expanded its pre-existing voluntary closing agreement program (TEB VCAP). In expanding TEB VCAP, the Service seeks to encourage issuers, conduit borrowers and other parties to bond transactions to exercise due diligence and to attempt to correct any issuance and post-issuance infractions for the applicable sections of the Internal Revenue Code and regulations.

g. Avoidance of insider trading by trustee, officers or employees

It is illegal to buy or sell securities, including tax-exempt bonds while in the possession of material or inside information. Material information is any information that a reasonable investor would consider important in deciding to buy, hold or sell securities. Failure to comply with this guidance can result in significant personal liability, including civil penalties, criminal fines and/or jail. Given this risks, board members and management should be cautious if they buy or sell the college’s bonds. It is recommended that they consult with the college’s compliance officer and/or attorney prior to buying or selling these bonds. The College’s Conflict of Interest policy is used as a control and guide for the trustee’s and officer’s to make them aware that potential for conflict may exists.
h. Restricted gifts

The guidance on restricted gifts is relatively simple in concept. If the college has received and applied restricted gifts for a portion of a project, it may not also issue tax-exempt bonds for that same portion. If restricted gifts are received for a project after bond proceeds have been dedicated to such projects, those gifts must be used to redeem bonds on the first optional call date and invested in the meantime at a yield no higher than the bond yield.

i. Special Situations

(1) Arbitrage Yield Restriction and Rebate Requirements

Tax-exempt bonds, including qualified 501(c)(3) bonds, may lose their tax-exempt status if they are arbitrage bonds under section 148 of the Code. In general, arbitrage is earned when the gross proceeds of an issue are used to acquire investments that earn a yield materially higher than the yield on the bonds of the issue. The earning of arbitrage does not, however, necessarily mean that the bonds are arbitrage bonds. Two general sets of requirements under the Code must be applied in order to determine whether qualified 501(c)(3) bonds are arbitrage bonds: (1) yield restriction requirements of section 148(a); and (2) rebate requirements of section 148(f). An issue may meet the rules of one of the above regimes yet fail the other. Even though interconnected, both sets of rules have their own distinct requirements and may result in the need for a payment to the U.S. Department of the Treasury in order to remain compliant.

IRC 148(a) provides that a bond is an arbitrage bond if at the time of the issuance of the bond, the issuer reasonably expects that all, or a portion, of the proceeds of the bond will be directly or indirectly used to acquire higher yielding investments or to replace funds which are used to acquire higher yielding investments.

Rebate and yield reduction payments are both recognized by the other. In other words, payment of rebate may be included in computing the yield on investments and vice versa.

(2) Reimbursement of construction funds

The reimbursement and draw down on bond issues is a major part of the bond process. The college pays for the tax-exempt bond projects with their operating funds and then request reimbursement for these
funds from the Bond Trustee (construction fund account). Appendix F covers the procedures for this reimbursement.

(3) Reconciliation of reports

The tax-exempt bond funds are reconciled by the Controller’s Office on a monthly basis to ensure appropriate controls and accountability of the funds. Appendix G covers the procedures on the tax-exempt bond reconciliations.
V. RESPONSIBILITIES

Bond Counsel

- Ensure legal elements of the bond issue are in good order.

Controller’s Office

- Read and understand the bond policy.
- Complete compliance bond checklist annually.
- Maintain and review the accounting records for TEB’s.
- Review, approve and pay contractor invoices out of operating funds.
- Forward contractor invoices to the Agency for reimbursement of operating funds.
- Monitor wire transfers for funds out of the construction fund.
- Post all appropriate transactions to G/L and tie to lead sheets.
- Reconcile Trustee Statements monthly (bank statements).

Facilities

- In charge of reviewing and approving bills/invoices. (Project Manager)
VI. APPENDIX

DEFINITIONS

The following definitions apply to these terms as they are used in this policy.

**Accruing interest** - accrued interest is the interest that has accumulated since the principal investment, or since the previous interest payment if there has been one already. For bonds, this interest is calculated and paid in set intervals.

**Administrative Expenses** – means all reasonable amounts incurred by the Agency or the Bond Trustee in connection with the financing and refinancing of the project.

**Agency** – means the Vermont Educational and Health Buildings Financing Agency, as issuer of the bond and any successor thereto.

**Ambac Assurance** - means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company.

**Arbitrage** – In general, arbitrage is earned when the gross proceeds of an issue are used to acquire investments that earn a yield materially higher than the yield on the bonds of the issue. The earning of arbitrage does not, however, necessarily mean that the bonds are arbitrage bonds. Two general sets of requirements under the Code must be applied in order to determine whether qualified 501(c)(3) bonds are arbitrage bonds: yield restriction requirements of section 148(a); and rebate requirements of section 148(f).

**Bond** - means the Vermont Educational and Health Buildings Financing Agency Revenue.

**Bond council** – is the attorneys who represent the bondholders to ensure everything with the issuance of the bond is in good order.

**Bond Indenture** – means the Bond Indenture, dated as of the date hereof, between the Agency and The Bank of New York Trust Company, N.A., Boston, Massachusetts, as Bond Trustee, and any amendments and supplements thereto permitted thereby.

**Bond trustee** - means the bank, trust company or national banking association at the Time, who acts as an independent third party to protect the interest of both the issuer and bondholders.

**Code** – means the Internal Revenue Code of 1986, as amended.
DEFINITIONS

College – means the President and Fellows of Middlebury College, a private nonprofit college.

Construction fund - means the fund created and so designated by Section 401 of the Bond Indenture. This special fund is established with the Bond Trustee and designated “Vermont Educational and Health Buildings Financing Agency revenue bond.

Continuing disclosure – this is a written agreement at the time the bonds are issued, to provide continuing disclosure to the marketplace for the life of the bond issue. This Continuing Disclosure Agreement not only obligates the issuer to provide annual reports and current material event disclosures, but also exposes the issuer to potential liability for securities fraud

Covenants – Agreed upon policy and procedures, as well as laws and regulations in each of the bond issues.

Custodian – A financial institution that has the legal responsibility for a customer's securities. This implies management as well as safekeeping.

Defeasances - The voiding of a contract (bond issue).

Government Bonds - a bond that is an IOU of the United States Treasury.

Key Employee – An employee that has material information concerning any bond issue.

Loan Agreement – means the agreement between the Agency and the College, pursuant to which the proceeds of the Bonds have been loaned by the Agency to the College.

Long term debt – liabilities that do not require the payment of cash or the rendering of services I one year. An example is bonds.

Maturity – The date on which a debt becomes due for payment.

Municipal - "Municipal Bond Insurance Policy" means the municipal bond insurance policy issued by Ambac Assurance insuring the payment when due of the principal of and interest on the Series B Bonds as provided therein.

Preliminary Official Statement (POS) – this is an Official Statement concerning a bond issue. It is a synopsis of the bond issue provisions. A more detailed explanation of these provisions can be found in the bond issue document.
DEFINITIONS

**Operating funds** – Funds available for current operations.

**Sinking fund** – A fund into which moneys are placed to be used to redeem securities in accordance with a redemption schedule in the bond contract.

**State** – shall mean the State of Vermont.

**Trustee** – A member of a board elected or appointed to direct the funds and policy of the college.

**Wired funds** – This service allows funds to be sent or received electronically from a financial institution, (ie...bank).
Appendix B

Frequently Asked Questions (FAQ’s)

Why keep records with respect to tax-exempt bond transactions?

Section 6001 of the Internal Revenue Code provides the general rule for the proper retention of records for federal tax purposes. Under this provision, every person liable for any tax imposed by the Code, or for the collection thereof, must keep such records, render such statements, make such returns, and comply with such rules and regulations as the Secretary may from time to time prescribe.

What are the basic records that should be retained?

Although the required records to be retained depend on the transaction and the requirements imposed by the Code and the regulations, records common to most tax-exempt bond transactions include:

- Basic records relating to the bond transaction (including the trust indenture, loan agreements, and bond counsel opinion);
- Documentation evidencing expenditure of bond proceeds;
- Documentation evidencing use of bond-financed property by public and private sources (i.e., copies of management contracts and research agreements);
- Documentation evidencing all sources of payment or security for the bonds; and
- Documentation pertaining to any investment of bond proceeds (including the purchase and sale of securities, SLGs subscriptions, yield calculations for each class of investments, actual investment income received the investment of proceeds, guaranteed investment contracts, and rebate calculations).

In what format must the records be kept?

All records should be kept in a manner that ensures their complete access to the IRS for so long as they are material. While this is typically accomplished through the maintenance of hard copies, taxpayers may keep their records in an electronic format if certain requirements are satisfied.
How long should records be kept?

Section 1.6001-1(e) of the Regulations provides that records should be retained for so long as the contents thereof are material in the administration of any internal revenue law. With respect to a tax-exempt bond transaction, the information contained in certain records support the exclusion from gross income taken at the bondholder level for both past and future tax years. Therefore, as long as the bondholders are excluding from gross income the interest received on account of their ownership of the tax-exempt bonds, certain bond records will be material. To support these tax positions, material records should generally be kept for as long as the bonds are outstanding, plus 3 years after the final redemption date of the bonds. This rule is consistent with the specific record retention requirements under section 1.148-5(d)(6)(iii)(E) of the arbitrage regulations. Certain federal, state, or local record retention requirements may also apply.

What happens if records aren't maintained?

During the course of an examination, TEB agents will request material records and information in order to determine whether a tax-exempt bond transaction meets the requirements of the Code and regulations. If these records have not been maintained, then the issuer, conduit borrower or other party may have difficulty demonstrating compliance with all federal tax law requirements applicable to that transaction. A determination of noncompliance by the IRS with respect to a bond issue can have various outcomes, including a determination that the interest paid on the bonds should be treated as taxable, that additional arbitrage rebate may be owed, or that the conduit borrower is not entitled to certain deductions.

Can a failure to properly maintain records be corrected?

Yes, a failure to properly maintain records can be corrected through the Tax Exempt Bonds Voluntary Closing Agreement Program (TEB VCAP). This program provides an opportunity for state and local government issuers, conduit borrowers, and other parties to a tax-exempt bond transaction to voluntarily come forward to resolve specific matters through closing agreements with the IRS. For example, the TEB Office of Outreach, Planning & Review has resolved arbitrage rebate concerns in cases where issuers have approached the IRS and reported a failure to retain sufficient records to determine, precisely, the correct amount of arbitrage rebate due on a bond issue.
Are there exceptions to the general rule regarding record retention for certain types of records?

No, but TEB encourages members of the municipal finance industry to submit comments and suggestions for developing record retention limitation programs for specific types of bond records, for specific classes of tax-exempt bond issues, or for specific segments of the bond industry. Comments can be submitted in writing to TEB and sent to the following address:

Internal Revenue Service (TE/GE)
T:GE:TEB, Rm. 583
1111 Constitution Ave., NW
Washington, DC  20224

You may also contact TEB by calling 202-283-2999 (not a toll-free call).
**Bond Issue Check List (EXAMPLE)**

<table>
<thead>
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<th>Cover Sheet</th>
<th>Appendix C</th>
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<tr>
<td>Completed by ____________________</td>
<td>Date ______________</td>
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<tr>
<td>Reviewed by ____________________________</td>
<td>Date ______________</td>
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<tr>
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<td><strong>Bond Issue:</strong></td>
<td>Series 2006A &amp; Series 2002B PARS</td>
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<td><strong>Maturity Date:</strong></td>
<td>Series 2006A Fixed Rate - Series A, Oct 31, 2046</td>
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<td></td>
<td>Series 2006B PAR Mode - Series B, Nov 1, 2026</td>
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<tr>
<td><strong>Amount:</strong></td>
<td>$35,425,000/ $56,575,000</td>
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<tr>
<td><strong>Date Issued:</strong></td>
<td>Sep 1, 2006</td>
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Agency: Vermont Educational and Health Buildings Financing Agency (VEHBFA)

**Bond Counsel:** Sidley Austin Brown & Wood, LLP

**Senior Managing Underwriter:** Goldman, Sachs, & Co.

**Auditors:** PricewaterhouseCoopers, LLP

**Bond Trustee (current):** The Bank of New York Trust Company, N.A. (Boston)

**Bond Trustee (prior):** N/A

**Rating Agencies:**
- (1) Moody’s Investor Service
- (2) Standard & Poor’s

**Fiscal Year:** July 1 – June 30

**Other Info:**
The Series A Bonds shall mature on their Maturity Date and shall bear interest at the rate of 5.00% per annum. The Series A Bonds shall have no annual Amortization Requirements. The Series B Bonds initially starts at PAR Mode, and can be changed to any mode after that. The Series B Bonds shall be subject on each applicable Amortization Date to mandatory sinking fund redemption in amounts equal to the annual Amortization Requirement.
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<thead>
<tr>
<th>Requirements:</th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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<tbody>
<tr>
<td><strong>a. Financial Reporting:</strong></td>
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<td>Financial Statements (Audited) <strong>due 120 days after fiscal year end.</strong></td>
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<td>(1) Are the Audited Financial Statements completed and forwarded to the Agency &amp; Ambac Assurance?</td>
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<td><strong>b. Reporting on Operations:</strong></td>
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<td>(1) Has the College information been provided in the Secondary Market report in accordance with SEC Rule 15c2-12?</td>
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<td><strong>c. Material Event Reporting:</strong></td>
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<td>(1) Have any of the following material events, if material to the bonds occurred?</td>
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<tr>
<td>- Principal and interest payment delinquencies</td>
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<td>- Unscheduled draws on credit enhancements reflecting financial difficulties</td>
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<td>- Substitution of credit or liquidity providers, or their failure to perform</td>
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<td>- Adverse tax opinions or events affecting the tax-exempt status of the security</td>
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<td>- Release, substitution, or sale of property securing repayment of the securities</td>
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<td>- Rating changes</td>
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<td><strong>d. Filing Reports:</strong></td>
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<tr>
<td>Continuing Disclosure Agreements (Secondary Market Disclosure) <strong>due 180 days after fiscal year end.</strong></td>
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<tr>
<td>(1) Have we filed with the Nationally Recognized Municipal Securities Information Repositories (NRMSIR)?</td>
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<td><strong>Note:</strong> we file through the DisclosureUSA.org website.</td>
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<tr>
<td><strong>e. Financial and Other Covenants:</strong></td>
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<tr>
<td>This Bond Issue is not subject to any financial covenants because of our strong credit rating.</td>
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<tr>
<td>(1) Has there been a change in our credit rating?</td>
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<tr>
<td>Requirements:</td>
<td>Yes</td>
<td>No</td>
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<td><strong>f. Bond Tax Covenants:</strong></td>
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<tr>
<td>Private Use Limitation</td>
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<td>(1) Is the college providing private use to vendors, groups or individuals relating to any bond funded projects?</td>
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<tr>
<td>(2) Has 5% or more of the bond funds been used to create or build an area for private use?</td>
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<tr>
<td>(3) Has 5% or more of the bond principal or interest been derived by revenues generated from privately used portions of the facility?</td>
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<tr>
<td><strong>Investment Restrictions on Funds</strong></td>
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<tr>
<td>(1) Do we have invested sinking funds?</td>
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<td>(2) If so, are the funds invested at a rate no higher than the yield on the bonds?</td>
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<tr>
<td><strong>Investment Funds</strong></td>
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<tr>
<td>(1) Are all investments purchased and sold at fair market value?</td>
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<tr>
<td>(2) Have the bond proceeds been invested in a manner that would cause them to be “arbitrage bonds”?</td>
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<tr>
<td><strong>Rebate and Arbitrage Requirements</strong></td>
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<tr>
<td>(1) Has a third party completed an arbitrage calculation in accordance with the covenants?</td>
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<tr>
<td>(2) Have there been any positive arbitrage payments made to the IRS?</td>
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<tr>
<td><strong>g. Avoidance of Insider Trading:</strong></td>
<td></td>
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<tr>
<td>(1) Has there been any evidence of insider trading?</td>
<td></td>
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<tr>
<td>(2) Are the Trustee’s, Officer’s &amp; Key Employee’s in compliance with the College’s code of conduct &amp; conflict of interest policy?</td>
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<tr>
<td><strong>h. Restrictive Gifts:</strong></td>
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<tr>
<td>(1) Have any restricted gifts been received for a portion of a bond related project?</td>
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<tr>
<td>(2) If so, have tax-exempt bonds been issued for that same portion of the project?</td>
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<tr>
<td><strong>i. Special Situations:</strong></td>
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<tr>
<td><strong>Reimbursement of Construction Funds</strong></td>
<td>Due 30 days after notice/invoice.</td>
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<tr>
<td>(1) Are construction funds related to this bond issue paid on-time and supported?</td>
<td></td>
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</tr>
<tr>
<td>(2) Are the reimbursements of the construction funds completed on-time and supported?</td>
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</tr>
<tr>
<td><strong>Reconciliation of Trustee Statement</strong></td>
<td></td>
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<tr>
<td>(1) Are the tax-exempt bond Principal and Interest payments reconciled monthly?</td>
<td></td>
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<tr>
<td><strong>j. Other requirements:</strong></td>
<td></td>
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<tr>
<td>(1) Are the administrative expenditures paid on-time and supported?</td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>due 30 days after notice/invoice.</strong></td>
<td></td>
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</tbody>
</table>
Appendix D

FOR IMMEDIATE RELEASE 2004-125
SEC STAFF ISSUES INTERPRETATIVE LETTER AUTHORIZING USE OF DISCLOSURE USA

Washington, D.C., Sept. 7, 2004 – Staff of the Securities and Exchange Commission’s Division of Market Regulation today issued an Interpretative Letter accessible at http://www.sec.gov/info/municipal/texasmac090704.pdf authorizing the use of DisclosureUSA by issuers of municipal securities and others who make continuing disclosure filings pursuant to Rule 15c2-12. DisclosureUSA, a web site accessible at www.DisclosureUSA.org, is the product of a cooperative effort of eighteen industry organizations known as the “Muni Council” and the Municipal Advisory Council of Texas (Texas MAC) to address deficiencies in the current filing system. Martha Mahan Haines, Chief of the Commission’s Office of Municipal Securities, who issued the letter, said “I expect DisclosureUSA to dramatically increase the availability of financial and other information from issuers and conduit borrowers of municipal securities to investors. Members of the Muni Council and Texas MAC should be commended for their dedication and commitment to improve secondary market disclosure. I encourage issuers and other filers to make use of this easy, user-friendly filing method.”

DisclosureUSA, which is described in detail in a letter from Texas MAC to Ms. Haines requesting staff interpretative guidance, is an Internet based electronic filing system whereby issuers and other filers may upload documents for immediate transmission, together with CUSIP numbers and other indexing information, to each Nationally Recognized Municipal Securities Information Repository (NRMSIR) and any appropriate State Information Depositary (SID). Every NRMSIR and SID has cooperated by establishing an FTP site to receive filings from DisclosureUSA and sending electronic return receipts. Members of the general public will be able to ascertain what filings have been made by issuers and other filers through an index maintained by DisclosureUSA. It will also provide a “tickler system” for use by filers who wish to receive e-mail reminders of future filing deadlines. There is no charge for use of DisclosureUSA.

The following groups are members of the Muni Council: American Bankers Association; American Bar Association – Section of State and Local Government Law; American Institute for Certified Public Accountants; CFA Institute (formerly the Association for Investment Management and Research); Council of Infrastructure Financing Authorities; Government Finance Officers Association; Healthcare Financial Management Association; Investment Counsel Association of America; Investment Company Institute; National Association of Bond Lawyers; National Association of Independent Public Finance Advisors; National Association of State Auditors, Comptrollers and Treasurers; National Association of State Treasurers; National Council of Health Facilities Finance Authorities; National Council of State Housing Agencies; National Federation of
Municipal Analysts; Regional Municipal Operations Association; and The Bond Market Association. Representatives from the Securities and Exchange Commission’s Office of Municipal Securities participated in Muni Council meetings.

# # #
Municipal Secondary Market Disclosure
Cover Sheet
For Filing Paper Submissions with
DisclosureUSA.org

This cover sheet should be sent with all paper submissions made to DisclosureUSA.org, whether
the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or
any analogous state statute.

Provide the following information as exactly as shown on the Official Statement:
1. Name of Issuer and/ or
Obligor:__________________________________________________________
________________________________________________________________________
2. Name of Issue(s) (attach additional sheet if necessary):_____________________
_______________________________________________________________________
3. State of Issuer and/or Obligor: __________________
CUSIP Number(s) to which the information filed relates:
☐ Six-digit number(s) if information filed relates to all securities of the issuer:
________________________________________________________________________
________________________________________________________________________
☐ Nine-digit number(s) (attach additional sheet if necessary):
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
1. Principal and interest payment delinquencies
2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the security
7. Modifications to the rights of security holders
8. Bond calls
9. Defeasances
10. Release, substitution, or sale of property securing repayment of the securities
11. Rating changes
WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)
A. Annual Financial Information and Operating Data pursuant to Rule 15c2-12
   (Financial information and operating data should not be filed with the MSRB.)
   Fiscal Period
   Covered: ______________________________________________________________________
B. Audited Financial Statements or CAFR pursuant to Rule 15c2-12 Fiscal Period
   Covered: ______________________________________________________________________
C. Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)
D. Notice of Failure to Provide Annual Financial Information as Required
E. Notice of change of fiscal year end: New Fiscal Year End
   ______________________________________________________________
F. Other Secondary Market Information
   (Specify): __________________________________________________________

I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly and
authorize the Municipal Advisory Council of Texas (Texas MAC) operating as DisclosureUSA.org to submit the materials
submitted with this coversheet to the NRMSIRs and SIDs, (ii) understand and agree that there is no contractual, agency,
fiduciary or other relationship between me and Texas MAC, except to that Texas MAC as an independent contractor will use
commercially reasonable efforts to transmit to the NRMSIRs and SIDs, in accordance with the time frames established by
Muni Council and agreed to by Texas MAC, the documents submitted by me to Texas MAC, and (iii) understand and agree
that Texas MAC has no responsibility to review the materials submitted to determine whether they satisfy the related
continuing disclosure agreements. I acknowledge that the scanning process may be subject to occasional errors and that Texas
MAC has not represented (and hereby disclaims any implied warranty) that the scanning and posting process will be error
free. Texas MAC will notify me, by email as designated below, when the documents have been scanned and posted
to www.disclosureUSA.org and I agree to review the posted documents promptly and notify Texas MAC of any errors within
15 days after such notification. The sole remedy of the undersigned for any errors by Texas MAC in scanning and posting the
submitted documents shall be to have the error corrected or to receive a refund of the scanning charge, and then only if such
error has been identified to Texas Mac in writing within 15 days after Texas MAC has notified the undersigned of the posting.
I hereby authorize Texas MAC to retain the documents I submit for such time as Texas MAC determines in its sole discretion,
but not less than 30 days. After 30 days, Texas MAC may dispose of the documents as it determines appropriate without notice
to me. By signing below I agree that the relationship, rights and duties between Texas MAC and the issuer, obligor or agent
indicated below are subject to the Terms and Conditions posted at the above referenced web-site.

Signature: __________________________________________________________ Date: ______________________________

Contact Information:
Circle Contact Type: Issuer / Obligor / Dissemination Agent/ Other ______________
Name __________________________ Title __________________________
Employer ______________________________________________________________________________________
Address __________________________________________ City __________ State _____ Zip Code __________
Telephone __________________________ Fax __________________________
Email Address __________________________ Issuer/Obligor Web Site ______________________________________________________________________________________
Address ______________________________________________________________________________________

Payment Method: Visa MasterCard American Express Check* (enclosed) –Indicate Check # _______
Credit Card Account Number __________________________ Expiration Date: ______
Cardholder Name: __________________________________________________________
Billing Address: __________________________________________ City ________ State _____ Zip Code __________
Total Amount Due: # of Documents enclosed** ______ x $45.00 = $__________
*Check should be payable to: Municipal Advisory Council of Texas **Exclude coversheet from document count
Reimbursement and draw down on bond issues

The following procedures track the reimbursement and draw down on the construction funds kept at the Bank of New York (BONY).

1. The Head Contractor of a project for Middlebury College submits invoices for the work completed on that project. The invoices go to the Project Manager in charge of that particular project. The Project Manager reviews and approves the invoices, and sends the invoice to Accounts Payable section for payment. Accounts payable cuts a check and forwards the check to the Payment and Procurement Manager for review. The Payment and Procurement Manager reviews and initials all payments between $5,000 and $10,000. For payments over $10,000, they are approved by the Assoc. VP for Finance & Control. The approval process is completed by initialing the check. This check (payment) comes out of the operating fund account at TD Banknorth.

2. The invoices that are submitted by the Head Contractor are consolidated and forwarded for reimbursement of the operating funds at least monthly (no later than 30 days). This is completed by the Payment and Procurement Manager. The timely submission and reimbursement of the invoices is important for the reasonable repayment of the College’s operating fund. The reimbursement will come from the bond issue held at the Bank of New York (BONY), also referred to as the construction funds.

3. The reimbursements of funds will be paid by wire form and are tracked by draw down number and date. The Payment and Procurement Manager submits the invoices with cover letter via electronic form (pdf.) to Vermont Educational and Health Buildings Financing Agency (VEHBFA) for reimbursement and copies the Assistant Controller and Treasury Manager on the email. By copying the Treasury Manager it will assist to identify the funds upon receiving the wire transfer from BONY. Vermont Educational and Health Buildings Financing Agency will be referred hereafter as the “agency”.

4. The agency will review and approve the invoices upon receiving them from the Payment and Procurement Manager. After the agency approves the invoices for reimbursement, they will send back the cover letter with signature informing the Payment and Procurement Manager they received and approved the invoices. The agency will then send a letter via electronic form (pdf.) to BONY for the wire transfer to Middlebury College (TD Banknorth). BONY will wire transfer the funds out of the construction fund to a Middlebury College consolidated account at TD Banknorth. Middlebury College will then transfer the funds into their operating fund.
5. The Treasury Manager will receive an email from BONY verifying the wire transfer was sent. The reconciliation of the wire transfers and other transactions are reconciled at the end of each month by the Accounting Manager.
**Appendix G**

**Reconciliation of Bond Trustee Statement**

The following procedures are used to reconcile the bond trustee statement with the general ledger account each month.

The bond trustee statements are received each month from the *Bank of New York (BONY)*. These statements are then reconciled to the general ledger account for each bond issue.

The general ledger entries are posted by the accounts payable section for wires sent to BONY, and then filed in the accounts payable section. Other general ledger transactions consist of reimbursements for the construction fund, detailed in appendix F. Additionally, the Accounting Manager (Grant Manager) completes the following:

a. The interest earned from the investments, interest paid out to the bond holders and principal to pay down on the bond issue is posted to the general ledger.

b. The accrued interest for the adjustable rate bonds are adjusted to the actual amount listed on the bond trustee statement.

c. All the entries on the general ledger are matched to the bond trustee statement.

* The Treasury Manager is looking into having the BONY send these statements electronically.